



Dear Shareholders,

Vltava Fund's NAV per share grew by 18.5% in 2014, and assets under management reached 1.9 billion Czech korunas as of 31 December 2014.

Our largest equity positions at the start of 2015 were Berkshire Hathaway, WHSmith, Catlin Group, Walmart and Teva Pharmaceutical. These are the same companies as from a year ago only in a slightly changed order. Our portfolio is concentrated into investments which we consider to provide the best combination of returns and risk. Sufficiently attractive investment opportunities are rather rare, and therefore we endeavour to utilise these to their best advantage. Our 10 largest positions make up approximately 70% of our portfolio.

In the current market, the Fund's portfolio is priced at about 12 times the earnings of the past 12 months. This means that for last year the net profits of our companies amounted to approximately 8% of their market capitalisation (i.e. their earnings yield, which is the inverse of P/E). In our opinion, that is an attractive yield considering the quality and prospects of these companies. This number stands out particularly in comparison to interest rates that linger close to zero. By our estimates, the fundamental value of our shares stands about one-tenth higher than their current prices. A fundamental valuation is not something static, however. Rather, it is developing through time. In the case of our portfolio, it is quite solidly growing. At the end of this year, it will be on the order of one-

-fifth higher than today's prices. This should create sufficiently strong upward pressure on the prices of our stocks to push them higher.

In the past six years, which means from the Great Financial Crisis and at the same time from the change in our investment strategy, Vltava Fund's NAV has grown to 4.6 times where it had been. More precisely, it has risen by 360%. While it is true that the past six years have been very good for equity investments, our results are nevertheless exceptional by worldwide standards. This result places our fund among the very top funds in the world.

To achieve such returns, it is necessary also to have a little luck, and it is obvious that they are not sustainable over the long term. Be that as it may, we believe that we will remain among the best funds for a long time to come and that our returns will be good. Your expectations, though, should be realistic and should not be based upon returns from the past six years.

In the next part of the Annual Report, you will find quarterly letters to stockholders from the past year. Taken together, these present a picture of our investments and opinions from last year.

We thank you for your support and goodwill through the years gone by and we look forward to our co-operation in the years to come.

Daniel Gladiš, February 2015



For more information

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Disclaimer :

Our estimates and projections concerning the future can and probably will be incorrect. You should not rely upon them solely but use also your own best judgment in making your investment decisions.

This document expresses the opinion of the author as at the time it was written and is intended exclusively for educational purposes.

The information contained in this letter to shareholders may include statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements" within the meaning of applicable foreign securities legislation. Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or financial performance, or the estimates underlying any of the foregoing. Any such forward-looking statements are based on assumptions and analyses made by the fund in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the given circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks, assumptions and uncertainties. In evaluating forward-looking statements, readers should specifically consider the various factors which could cause actual events or results to differ materially from those contained in such forward-looking statements. Unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements to reflect subsequent information, events, results or circumstances or otherwise.

This letter to shareholders does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or any invitation to offer to buy or subscribe for, the securities of the fund.

Before subscribing, prospective investors are urged to seek independent professional advice as regards both Maltese and any foreign legislation applicable to the acquisition, holding and repurchase of shares in the fund as well as payments to the shareholders.

The shares of the fund have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") or under any state securities law. The fund is not a registered investment company under the United States Investment Company Act of 1940 (the "1940 Act").

The shares in the fund shall not be offered to investors in the Czech Republic on the basis of a public offer (veřejná nabídka) as defined in Section 34 (1) of Act No. 256/2004 Coll., on Capital Market Undertakings.

The Fund is registered in the Czech National Bank's list in the category Foreign AIFs authorised to offer only to qualified investors (without EuSF and EuVECA) managed by AIFM.

Historical performance over any particular period will not necessarily be indicative of the results that may be expected in future periods.

Returns for the individual investments are not audited, are stated in approximate amounts, and may include dividends and options.

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